

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-08 IO-13 ISO-00 SS-15 EUR-12 EA-07 SP-02

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CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02

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FM SECSTATE WASHDC

TO AMEMBASSY DAR ES SALAAM

INFO AMEMBASSY LUSAKA

AMEMBASSY NAIROBI

USMISSION USUN NEW YORK

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E.O. 11652: N/A

TAGS: EFIN, TZ

SUBJECT: U.S. PROPOSAL FOR AN INTERNATIONAL RESOURCES
BANK (IRB)

REF: (A) STATE 150357, (B) DAR ES SALAAM 2370

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1. CONCEPT OF GOVERNMENT APPLYING FOR IRB ASSISTANCE IN

FACILITATING FINANCING INTO RESOURCES PROJECTS WITH NO PRIVATE INVESTMENT IS NOT PRECLUDED FROM U.S. CONCEPT OF IRB. HOWEVER, THE PROBLEM THE IRB IS DESIGNED TO ALLEVIATE IS DECLINE OF PRIVATE RESOURCE INVESTMENT IN DEVELOPING COUNTRIES BECAUSE OF PERCEIVED POLITICAL RISK AND AN UNCERTAIN INVESTMENT CLIMATE. THE COROLLARY TO THIS PROBLEM IS OUR BELIEF THAT PRIVATE INVESTMENT IN RESOURCE DEVELOPMENT CAN OFFER MAJOR ADVANTAGES TO DEVELOPING COUNTRIES IN ACHIEVING GREATER EFFICIENCY, CAPITAL MOBILIZATION, AND MARKETING OUTLETS AND EXPERTISE.

2. WE DO NOT ANTICIPATE THAT IRB WOULD LEND TO DEVELOPING COUNTRY RESOURCE PROJECTS FROM ITS OWN FUNDS IN THE MANNER OF AND AS ALTERNATIVE TO WORLD BANK GROUP LENDING TO GOVERNMENTS FOR RESOURCE PROJECTS. AN IRB PERFORMING THIS FUNCTION WOULD BE DUPLICATIVE OF WORLD BANK FUNCTIONS AND WASTEFUL OF SCARCE FINANCIAL RESOURCES.

3. TO COUNTER THE ARGUMENTS AGAINST THE IRB YOU ANTICIPATE FROM THE TANZANIAN GOVERNMENT, WE SUGGEST YOU STRESS THE ADVANTAGE THAT WOULD ACCRUE TO HOST COUNTRY FROM IRB'S MOBILIZATION OF PRIVATE CAPITAL AND ITS PARTICIPATION IN THE ASSESSMENT OF THE VIABILITY AND TECHNICAL, AND TRAINING AND MANAGERIAL REQUIREMENTS TO MAKE THE PROJECT PROFITABLE AND EFFECTIVE. ALTHOUGH TANZANIA HAS BEEN, AS YOU SAY, FAIRLY SUCCESSFUL IN OBTAINING FINANCING FROM THE WORLD BANK AND OTHER DONORS ON CONCESSIONAL TERMS, WE PRESUME THERE IS A NEED FOR ADDITIONAL SOURCES OF FINANCING TO DEVELOP TANZANIA'S RESOURCE SECTOR ON THE SCALE AND AT THE PACE THE GOVERNMENT DESIRES. WE WOULD HOPE, THEREFORE, THAT THE TANZANIAN GOVERNMENT WOULD FIND IT WORTHWHILE TO EXAMINE THE IRB PROPOSAL ON ITS MERITS. KISSINGER

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